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AFFILIATION: INSTALLATIONS AND ENVIRONMENT

BODY:

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Subcommittee on Readiness House Armed Services Committee

March 18, 2003

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss the Active Army and Reserve Components' military construction budget request for Fiscal Year 2004. This request includes initiatives of considerable importance to The Army, as well as this Committee, and we appreciate the opportunity to report on them to you.

Our budget provides resources in our construction and family housing programs essential to support The Army's role in our National Military Strategy and our role in the Global War on Terrorism. The budget supports The Army's Vision and our Transformation strategy.

The program presented herein requests Fiscal Year 2004 authorization of appropriations and appropriations of \$1,536,010,000 for Military Construction, Army (MCA); \$1,399,917,000 for Army Family Housing (AFH); \$168,298,000 for Military Construction, Army National Guard (MCNG); and \$68,478,000 for Military Construction, Army Reserve (MCAR).

The Army has begun one of the most profound periods of transformation in its 227-year history. In 1999, we published The Army Vision — People, Readiness, and Transformation — that defined how we meet the Nation's military requirements today and into the future. After three years, we are on the road to implement the self-transformation that will allow us to continue to dominate conventional battlefields, but also provide the ability to deter and defeat adversaries who rely on surprise, deception and asymmetric warfare to achieve their objectives.

The attacks against our Nation and the ongoing Global War on Terrorism validated The Army's Vision and our Transformation. To meet the challenges of Army Transformation and to carry out today's missions at home and abroad, The Army must sustain a force of high quality, well-trained people; acquire and maintain the right mix of weapons and

equipment; and maintain effective infrastructure and power projection platforms to generate the capabilities necessary to meet our missions. Taking care of soldiers and families is a readiness issue and will ensure that a trained and qualified soldier and civilian force will be in place to support the Objective Force and the transformed Army.

Installations are a key component in all three tenets of The Army Vision. They are the operational and service support centers where our soldiers and civilians work, live, and train; and from which we deploy, launch, and accomplish our missions. Our worldwide installations structure is inextricably linked to the Transformation of The Army and the successful fielding of the Objective Force.

Army installations, both Active and Reserve Component, must fully support our war fighting needs, while at the same time provide soldiers and their families with a quality of life that equals that of their peers in civilian communities. The Army Vision begins and ends talking about the well-being of people. Our installations are the hometowns to many of our people. To improve our installations, we realized we had to transform installation management to improve the way we operate and manage this important resource.

In support of the Transformation of Army installations, on October 1, 2002, The Army activated the Installation Management Agency (IMA). This activation symbolized a radical transformation in how The Army manages installations. Through the IMA, The Army has created a corporate structure for managing its installations. By shifting that responsibility from the 14 formerly land-holding major commands, the IMA seeks to enhance effectiveness in installation management, achieve regional efficiencies, eliminate the migration of installation support dollars, and provide consistent and equitable services and support.

Major Commanders can now focus solely on their primary missions. Though the major commands no longer have a primary responsibility for installation management, the support they receive from installations is a paramount mission of the IMA. The IMA exists to support and enable mission commanders. The senior mission commander on each installation is part of the rating chain for the garrison commander of that installation. The most senior commanders of the major commands, as well as the Director of the Army National Guard and the Chief of the Army Reserve, also sit on an Installation Management Board of Directors, providing oversight and guidance to the operations of the IMA.

The Army's transformation of installation management represents a significant paradigm shift in the way The Army manages installations. It represents a new commitment to installation management as a key component of Army Transformation. Mission readiness no longer competes with installation management tasks; and the soldier's well-being and quality of life on the installations does not compete with the mission. It will allow us to provide for our soldiers and their families and to permit us to implement our facilities strategy.

FACILITIES STRATEGY

The Army's Facilities Strategy (AFS) is the centerpiece of our efforts to fix the current state of Army facilities over 20 years. It addresses our long-term need to sustain and modernize Army-funded facilities in both Active and Reserve Components by framing our requirements for sustainment, restoration and modernization (SRM) using operations and maintenance (O&M) and military construction (MILCON) funding. The AFS addresses sustainment, recapitalization, quality, and quantity improvements so that The Army will have adequate facilities to support Transformation and our 21st Century missions.

The first objective of the strategy requires us to halt further deterioration of our facilities. Our sustainment funding, which comes from the Operation and Maintenance (O&M) SRM accounts, has improved. Our budget request funds 93% of our requirements in Fiscal Year 2004. This level of funding may be sufficient to slow further deterioration of Army facilities. We use the Installation Status Report (ISR) to rate the condition of our facilities. A C-1 quality rating indicates facilities support mission accomplishment; a C-2 quality rating indicates facilities support the majority of assigned missions; a C-3 quality rating indicates facilities impair mission performance; and a C-4 rating indicates facilities that significantly impair mission performance. Currently, The Army's overall quality rating is C-3 (impairs mission performance). We must have sufficient O&M SRM resources to sustain our facilities and prevent facilities from deteriorating further, or we put our MILCON investments at risk.

The second objective of our strategy addresses improving recapitalization of our facilities to a 67-year cycle. This will ensure we have adequate facilities to keep pace with future force structure changes and weapons modernization programs. The focus is on The Army's most obsolete infrastructure, such as vehicle maintenance facilities, Army National Guard Readiness Centers, and Army Reserve Centers. Unfortunately, our budget resources limit our recapitalization rate to 144

years for Fiscal Year 2004.

The third objective is to raise The Army facilities from the current C-3 quality rating (impairs mission performance) to an overall C-2 quality rating (supports majority of assigned missions) by the end of 2010. This will be accomplished by bringing a focused set of facilities to C-1 (supports mission performance) during that timeframe. Since we cannot afford a quick fix to buy down the SRM backlog, we will centrally manage resources towards focused investments. This capital investment requirement will primarily require MILCON funding, supplemented by O&M SRM project funding.

The fourth objective is to reduce facility shortfalls where they exist over the entire 20-year strategy. These shortfalls are a result of facilities modernization not keeping pace with our weapons modernization and supporting force structure. Ranges and training facilities are an example.

Modest MILCON investment will be made in Fiscal Year 2004 for these objectives. These four objectives will enable us to improve the health of Army real property and the ability to successfully support our worldwide missions and our soldiers. This year, our highest priority went to sustainment to achieve a 93% funding level.

In addition to implementing our facilities strategy, we continue our policy of eliminating excess facilities throughout the entire Army to allow us to use our limited resources where they have the most impact. During Fiscal Years 1988-2003, our footprint reduction program, along with the base realignment and closure process (including overseas reductions), resulted in the disposal of over 400 million square feet worldwide from our Fiscal Year 1990 peak of 1,157,700,000 square feet. In Fiscal Year 2004, we plan to reduce an additional 2.7 million square feet. We continue our policy of demolishing at least one square foot for every square foot constructed.

MILITARY CONSTRUCTION, ARMY (MCA)

This year's MCA program focuses on The Army's Vision and four major categories of projects: people, readiness, transformation, and other worldwide support. I will explain each category in turn.

PEOPLE

Fifty percent of our MCA budget is dedicated to providing for the well-being of our soldiers, their families, and civilians. We are requesting 23 barracks (plus an additional one for transformation), a dining facility and 2 physical fitness centers. These projects will improve not only the well-being of our soldiers and families, but also the readiness of The Army. We are requesting \$776.2 million for these projects.

WHOLE BARRACKS RENEWAL PROGRAM: The Army continues its major campaign to modernize barracks to provide enlisted permanent party soldiers with quality living environments. The new complexes provide increased personal privacy, larger rooms, closets, new furnishings, adequate parking, and landscaping. In addition, administrative offices are separated from the barracks. With the approval of our budget, \$737.9 million, as requested, 79% of our barracks requirement (including the transformation barracks), will be funded at the new standard for our permanent party soldiers. Between Fiscal Years 2005 and 2009, we plan to invest an additional \$3.5 billion in MCA and host nation funds. While we are making considerable progress at installations in the United States, we will request increased funding for Germany and Korea in future budgets to compensate for the fact that these areas have been historically funded at lower levels than installations in the United States. A large portion of the remaining modernization effort - 37% - is in overseas areas.

In Fiscal Year 2004, we are planning 23 barracks projects as part of our barracks modernization program, including 7 projects in Europe (one of which supports our Efficient Basing East initiative) and 3 projects in Korea. This will provide new or improved housing for at least 5,500 soldiers. The installations with the largest investment are Fort Bragg, North Carolina, with \$102 million (3 projects), and Schofield Barracks, Hawaii, with \$98 million (2 projects). At these installations, large soldier populations and inadequate barracks require sustained high investment to provide quality housing. Barracks projects are also requested for Fort Hood, Texas; Fort Riley, Kansas; Fort Campbell, Kentucky; Fort Lewis, Washington; Fort Richardson, Alaska; Fort Drum, New York; and Fort Stewart, Georgia. A barracks project supporting Transformation is also requested at Fort Wainwright, Alaska. Although we are requesting authorization for all phases of a multi-phase barracks complex at Fort Drum and Fort Bragg, we are only requesting the appropriation needed for the Fiscal Year 2004 phase. Our plan is to award each complex, subject to subsequent appropriations, as a single contract to gain cost efficiencies, expedite construction, and provide uniformity in building systems.

COMMUNITY FACILITIES: Our budget request includes a dining facility at Fort Meade, Maryland, for \$9.6 million. Also included are two physical fitness centers at Hohenfels, Germany (\$13.2 million) and Fort Stewart, Georgia (\$15.5

million) to improve soldier fitness and community wellness. The physical fitness center at Fort Stewart has been selected as a pilot project for the demonstration program for the reduction of long-term facility maintenance costs. We believe this demonstration program will decrease our maintenance expenses and increase the quality of our facilities. This project is one of three included in Fiscal Year 2004. An Army Reserve and a National Guard demonstration project are also included in the budget.

READINESS

In Fiscal Year 2004, there are 11 projects, \$153 million, to ensure The Army is deployable, trained, and ready to respond to meet its national security mission. The projects provide enhanced training and readiness via live fire ranges and simulators, maintenance and test facilities, and a deployment facility.

To improve soldier training, we are requesting \$45.8 million to construct five training and readiness projects. Our request includes Modified Record Fire Ranges at Schweinfurt, Germany; Fort Knox, Kentucky; and Fort Sill, Oklahoma; an instrumented Multipurpose Training Range Complex at Fort Benning, Georgia; and a live fire urban operations Shoot House at Fort Lewis, Washington. All five ranges will provide our soldiers with realistic, state-of-the-art live fire training.

A project to construct troop support facilities, including a physical fitness center and dining facility, and to renovate a headquarters facility and a postal facility at a cost of \$46 million will support the Efficient Basing, East, initiative at Grafenwoehr, Germany.

We are requesting three maintenance facilities for \$41 million to support Army missions.

Our request also includes \$5.5 million for a Vibration Dynamic Test facility at Redstone Arsenal, Alabama. This facility will enable The Army to test small rocket systems and components for reliability to ensure that equipment can withstand the rigors of military operations.

To support deployment of an airborne battalion ready task force, our request includes \$15.5 million for a Joint Deployment Facility in Aviano, Italy. This facility will be constructed on an Air Force Base and will provide support for deployments of the 173rd Airborne Brigade stationed in Vicenza, Italy. In addition, the facility will support other U.S. and NATO forces deploying through Aviano Air Base.

TRANSFORMATION

Our budget contains \$285.3 million for 16 projects at 4 installations that will support the deployment, training, unit operations, and equipment maintenance for Army Transformation. The projects include one barracks, one multi-purpose training range complex, one live fire urban operations Shoot House, upgrades to an existing Military Operations in Urban Terrain (MOUT) facility, two Mission Support Training Facilities (and the acquisition of additional lands in Hawaii to ensure our forces are properly trained), two Alert Holding Areas, expansion of a Deployment Staging Facility, an upgrade to an existing Ammunition Supply Point, a Pallet Processing Facility, an Information Systems Facility, Arms Storage, and an Aircraft Maintenance Hangar. The proposed projects in Hawaii will support the legacy force requirements that are currently not being met and future combat systems.

Following the Persian Gulf War, Congress charged the Department of Defense to determine strategic mobility requirements to support the revised national strategy of greater reliance on CONUS-based contingency forces and power projection capabilities. The Army established the Army Strategic Mobility Program (ASMP) in Fiscal Year 1994 that centered on the capability to deploy a five division contingency force with its associated support structure anywhere in the world within 75 days. We will successfully complete funding the program in Fiscal Year 2003. Over the 10-year period we funded approximately \$800 million in projects to support our strategic mobility.

The Army has reviewed the lessons learned from the successful ASMP and has analyzed current and future strategic environment; multiple, astute, and dynamic adversaries; and identified the need to deploy a brigade combat team anywhere in the world in 96 hours after liftoff, a division on the ground in 120 hours, and five divisions in theater in 30 days. To meet these goals, The Army has developed The Army Power Projection Program (AP3) beginning in Fiscal Year 2004. Five of the Transformation projects listed above support our new deployment requirements for a transformed Army and initiate the start of the AP3 program.

OTHER WORLDWIDE SUPPORT PROGRAMS

The Fiscal Year 2004 MCA budget includes \$100.7 million for planning and design (P&D). The Fiscal Year 2004

P&D request is a function of the construction programs for two Fiscal Years: 2005 and 2006. The requested amount will be used to complete design of Fiscal Year 2005 projects and initiate design of Fiscal Year 2006 projects. Without this level of funding, our ability to design future year projects will be impaired and this will ultimately impact delivery of critically needed facilities to our soldiers.

Host Nation Support (HNS) P&D: The Army, as Executive Agent, provides HNS P&D for oversight of host nation funded design and construction projects. The U.S. Army Corps of Engineers oversees design and construction to ensure facilities meet The Army's requirements and standards. Lack of oversight may result in an increase in design errors and construction deficiencies that might require United States dollars to rectify. Maintaining the funding level for this mission results in a payback where \$1 of United States funding gains \$44 worth of host nation construction. The Fiscal Year 2004 budget request for \$22 million will provide oversight for over \$950 million of construction in Japan, Korea, and Europe.

The Fiscal Year 2004 budget also contains \$20 million for unspecified minor construction. This funding level will allow us to address unforeseen, critical needs that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING

According to the Military Family Housing Standards Study done in April 2001, adequate and affordable housing continues to be a major concern to soldiers and their families. We have waiting lists at all of our major posts. Out-of-pocket expenses for soldiers living off post, though less than in prior years due to increases in Basic Allowance for Housing, will be reduced to 3.5% of the total cost of their housing with the approval of The Army Fiscal Year 2004 budget. By Fiscal Year 2005, we will meet our OSD goal to reduce our out-of-pocket expenses to zero. Maintaining and sustaining safe, attractive, and convenient housing for our soldiers and families is one of our continuing challenges. This year's budget expands privatization and increases improvements to existing housing. It supports the Secretary of Defense's goal to provide adequate housing to all military families by 2007.

Our Fiscal Year 2004 request for Army Family Housing is \$1,399,917,000. Table 1 summarizes each of the categories of the Army Family Housing program.

FAMILY HOUSING PRIVATIZATION

The Army continues to implement the Residential Communities Initiative (RCI) to create modern residential communities in the United States, using the military housing privatization authorities granted by the Congress. We are leveraging appropriated funds and government assets by entering into long-term partnerships with private sector real estate development and management firms to obtain financing and management expertise to construct, repair, maintain, and operate family housing communities.

The current program of 28 projects will transition to privatized operations by the end of Fiscal Year 2006. These projects include over 71,000 homes, more than 80% of our family housing inventory in the United States. We already have transitioned 4 installations to privatized operations: Forts Carson, Hood, Lewis and Meade. These projects include over 15,700 housing units. Families have moved into new and renovated housing at those locations and our experience to date has been very positive.

We have selected development partners and are currently negotiating Community Development and Management Plans (50-year construction, operations, and financing plan) at 8 additional locations with over 23,000 units. Five of these projects (Fort Bragg, Fort Campbell, Presidio of Monterey, Fort Irwin/Moffett Army Airfield/Camp Parks, and Fort Hamilton) will transition to privatized operations in Fiscal Year 2003 and the remaining three (Fort Belvoir, Forts Eustis/Story/Monroe and Fort Stewart) will transition in Fiscal Year 2004. In addition to these projects, four other projects are in various stages of the procurement process (Walter Reed Army Medical Center, Fort Shafter/Schofield Barracks, Fort Polk and Fort Detrick). Twelve more projects are scheduled for the future (Fort Leonard Wood, Fort Sam Houston, Fort Bliss, Fort Drum, Fort Benning, Fort Rucker, Fort Gordon, Fort Knox, Fort Leonard Wood, Picatinny Arsenal, Carlisle Barracks, and Redstone Arsenal).

Our development partners expertise, experience, and resources are resulting in significant improvements in our family housing communities. The Fiscal Year 2004 budget request is necessary to support continued implementation of this quality of life program.

FAMILY HOUSING CONSTRUCTION

The total Fiscal Year 2004 request for construction is \$356.9 million. It continues the Whole Neighborhood Revitalization

initiative approved by Congress in Fiscal Year 1992, and supported consistently since that time, and our Residential Communities Initiative program. These projects are based on life-cycle economic analyses and support the Department of Defense's goal funding the elimination of inadequate housing by 2007.

NEW CONSTRUCTION: The Fiscal Year 2004 new construction program provides Whole Neighborhood Revitalization projects at 4 locations, 496 units for \$126.6 million. Replacement construction provides adequate facilities, built to local standards, where there is a continuing requirement for the housing and it is not economical to renovate the current housing. New (deficit elimination) construction provides additional housing to meet requirements. All of these projects are supported by housing surveys, which show that adequate and affordable units are not available in the local community.

CONSTRUCTION IMPROVEMENTS: The Construction Improvements Program is an integral part of our housing revitalization program. In Fiscal Year 2004, we are requesting \$197.8 million for improvements to 6,883 existing units at 6 locations in the United States and 5 locations in Europe. Included within the scope of these projects are efforts to improve supporting infrastructure and energy conservation.

FAMILY HOUSING OPERATIONS AND MAINTENANCE

The operations, utilities, maintenance, and leasing programs comprise the majority of the Fiscal Year 2004 request. The requested amount of \$1.043 billion for Fiscal Year 2004 is approximately 74% of the total family housing budget. This budget provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus/uneconomical housing and funds supporting management of the Military Housing Privatization Initiative.

FAMILY HOUSING LEASING

The leasing program provides another way of adequately housing our military families. We are requesting \$234.5 million in Fiscal Year 2004 to fund over 14,300 housing units including existing Section 2835 (formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and approximately 7,800 units overseas.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

Focused on The Army's Vision, the Army National Guard's military construction program for Fiscal Year 2004 is giving special attention to People, Readiness and Transformation. The Fiscal Year 2004 Army National Guard program supports these elements.

TRANSFORMATION

This year we have concentrated on Army Division Redesign Study (ADRS) projects. ADRS addresses a long-standing Army problem of lack of Combat Support and Combat Service Support Force. The Army National Guard, in support of the National Military Strategy and wartime requirement shortfalls, is reorganizing selected units toward this end, i.e., Chemical, Medical, and Military Police units.

We are requesting \$84.9 million for 31 ADRS projects. These funds will support the construction of Readiness Centers, Organizational Maintenance Shops, Training Fire Stations, an Armed Forces Reserve Center, and a Working Animal Building.

The ADRS transformation, which began in Fiscal Year 2001, is scheduled to be completed by Fiscal Year 2009.

READINESS CENTERS/ARMED FORCES RESERVE CENTER: To accommodate the force structure change, the Army National Guard will make additions or alterations to 14 readiness centers in Alabama, Indiana, Kansas, Kentucky, Nebraska, New Mexico, New York and North Dakota. Six new Readiness Centers are planned for California, Kentucky, Michigan, Missouri, Nebraska and North Carolina.

We will also construct an Armed Forces Reserve Center in Mobile, Alabama. This facility will house all elements of a Support Group, Chemical Company, Medical Battalion, and Special Forces Detachment, as well as the Marine Reserves Reconnaissance Company, Intelligence Company, and the Marine Corps Inspector and Instructor staff.

TRAINING FIRE STATIONS: Six training fire stations are scheduled for Alabama, Connecticut, Kentucky, North Carolina (2), and Nebraska. These training fire stations will provide the necessary administrative, training, maintenance and storage areas required for the units to achieve proficiency in their required training tasks.

ORGANIZATIONAL MAINTENANCE SHOPS: The Army National Guard has three Organizational Maintenance

Shops requested in Fiscal Year 2004. These facilities require additional space and upgrades to support the ADRS initiative. They are located in Montana (two) and New York.

WORKING ANIMAL BUILDING: As a result of ADRS, there will be two Military Police Working Dog Teams assigned to the Connecticut Army National Guard. These facilities will provide for all phases of dog training for patrol and protection.

MISSION

In Fiscal Year 2004, the Army National Guard has requested \$55.3 million for the revitalization of four mission projects. They include a Readiness Center, a Consolidated Maintenance Facility (Phase I), an Army Aviation Support Facility and a Military Education Facility (Phase III)

READINESS: A new Readiness Center at Lenoir, North Carolina, will replace the current 48-year old facility that was built in a flood plain. The State will provide 41 acres of State land to relocate the new Readiness Center. This project has been selected as the Army National Guard Fiscal Year 2004 candidate for the demonstration program for the reduction of long-term facility maintenance cost.

MAINTENANCE: The Consolidated Maintenance Facility at Pineville, Louisiana, will consist of a Combined Support Maintenance Facility, a Maneuver and Training Equipment Site, and two Organizational Maintenance Shops. These facilities will provide direct support, general support, and limited depot maintenance for all vehicles and equipment in Louisiana and full-time organizational maintenance support to selected units. This facility will permit Army National Guard personnel to work in a safe and efficient environment.

An Army Aviation Support Facility in South Burlington, Vermont, will replace the current facility that was built in 1954. The new facility will provide the additional 80,650 square feet required to support three aviation units with 18 aircraft.

TRAINING: The Military Education Facility (Phase III) at Camp Shelby, Mississippi, is the last and final phase of this Regional School Project. This Regional Training Center, a Category A Training Site, supports units from Mississippi, Alabama, Arkansas, Kentucky, Louisiana, Oklahoma, Tennessee, and Texas. The school conducts leadership training, maintenance training, and armor crewman training.

WORLDWIDE UNSPECIFIED FUNDING

The Army National Guard's Fiscal Year 2004 budget request contains \$26.6 million for planning and design of future projects and \$1.5 million in unspecified minor construction to address unplanned health or safety issues that may arise during Fiscal Year 2004.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

This year's MCAR program focuses on the Army Reserve's highest priority-Readiness. Army Reserve Centers are the key component to the readiness of units and provide support to soldiers and their families. In Fiscal Year 2004, the Army Reserve has requested \$57.9 million to construct three Army Reserve Centers and a Maintenance and Storage facility.

MISSION FACILITIES

ARMY RESERVE CENTERS: Three Army Reserve Centers will be built in Fort Meade, Maryland; Cleveland, Ohio; and Nashville, Tennessee. The Fort Meade Army Reserve Center will replace 50 World War II wood buildings, which will be returned to the installation for demolition. This project has been selected as the Army Reserve Fiscal Year 2004 candidate for the demonstration program for the reduction of long-term facility maintenance cost. The Cleveland Army Reserve Center will replace two 1950s era facilities and three leased facilities. The Nashville Army Reserve Center will replace a high-cost leased facility.

MAINTENANCE: An Organizational Maintenance Shop/Direct Support Maintenance Shop and Storage facility will be built on Fort Gillem, Georgia.

PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

The Fiscal Year 2004 MCAR budget includes \$7.712 million for planning and design (P&D), which provides essential planning and design capability in order to properly execute the MCAR program. The Fiscal Year 2004 budget also contains \$2.886 million for unspecified minor construction to satisfy critical and emergent mission requirements.

SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM)

In addition to MCA and AFH, the third area in the facilities arena is the O&M portion of the Sustainment, Restoration and Modernization (SRM) program. Sustainment is the primary account in installation base support funding responsible to maintain the infrastructure to achieve a successful readiness posture for The Army's fighting force. Installation facilities are the power projection platforms of America's Army and must be properly maintained to be ready to support current Army missions and any future deployments.

O&M SRM consists of two major functional areas: (1) facilities sustainment of real property and (2) restoration and modernization. Facilities sustainment provides resources for maintenance costs and contracts necessary to keep an inventory of facilities in good working order. It also includes major repairs or replacement of facility components, usually accomplished by contract, that are expected to occur periodically throughout the life cycle of facilities. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident or other causes. Modernization includes alteration or modernization of facilities solely to implement new or higher standards, including regulatory changes, to accommodate new functions, or to replace building components that typically last more than 50 years, such as foundations and structural members. The Active Army's OMA Sustainment funding request in Fiscal Year 2004 is \$1.8 billion. The Army National Guard is requesting \$380 million and the Army Reserve is requesting \$182 million.

In Fiscal Year 2004, The Army's top O&M priority in SRM is to sustain its facilities. This prevents further deterioration of the facilities we own and allows the facilities to support The Army's mission. The basic maintenance and repair of all Army facilities is funded at 93% of the O&M requirement. At the current funding levels, facilities will be properly maintained and deterioration will be minimal. Restoration and modernization initiatives supplement MILCON funding and meet recapitalization requirements. The Army has used the O&M R&M for barracks, strategic mobility, and other needs. The Army's demolition program will eliminate unneeded facilities. In Fiscal Year 2004, we plan to eliminate approximately 2.7 million square feet of facilities worldwide.

The Army's privatization or outsourcing of utilities is the first part of our Long Range Utilities Strategy within the SRM program to provide reliable and efficient utility services at our installations. All Army-owned electrical, natural gas, water, and waste water systems are being evaluated to determine the feasibility of privatization. When privatization appears economical, we use competitive contracting procedures as much as possible. The Army is on track and continues to seek ways to privatize as many systems as possible by September 30, 2003. OMA restoration and modernization resources will be programmed for systems we are not able to privatize so that all systems are brought to a C2 (quality) status by 2010. To date, 18% (64 of 351 systems) of all CONUS systems and 23% (250 of 1,068) of systems worldwide have been privatized. During Fiscal Year 2003, the negotiation and evaluation process for an additional 103 CONUS systems will be completed.

Recent successes include privatization of the natural gas system at Fort Campbell, Presidio of Monterey and Fort Benning; electrical systems at Fort AP Hill, Picatinny Arsenal, Presidio of Monterey, Red River Army Depot, and Fort Bliss; and water and waste water systems at Red River Army Depot and Presidio of Monterey.

BASE REALIGNMENT AND CLOSURE (BRAC)

Our facilities strategy strives to meet the needs of today's soldiers while also focusing on the changes required to support The Army of the 21st Century. Our budget includes the Army's requirement to continue unexploded ordnance (UXO) removal, environmental restoration, and property management of those facilities not yet disposed from the first four rounds of BRAC. In Fiscal Year 2001, The Army began saving \$924 million annually upon completion of the first four rounds of BRAC. Although these savings are substantial, we need to achieve even more, and bring our infrastructure assets in line with projected needs. The Army supports the need to close and realign additional facilities and we appreciate the Congress' authority to have an additional round in Fiscal Year 2005.

The Army is now in the second year of exclusively caretaking and completing the remaining environmental restoration activities at BRAC installations. This budget will continue this important work. These funds allow us to properly caretake these properties and to continue environmental and ordnance removal efforts that will facilitate economic revitalization and will render these properties safe. This budget includes the resources required to support projected reuse in the near term and to continue with current projects to protect human health and the environment. The Army implemented innovative approaches to environmental restoration at BRAC sites in Fiscal Year 2002, which supported the early transfer of several properties. The Army will continue to support early property transfers in Fiscal Year 2003 and beyond.

Although the extensive overseas closures do not receive the same level of public attention as those in the United States, they represent the fundamental shift from a forward-deployed force to one relying upon overseas presence and power projection. Without the need for a Commission, we are continuing to reduce the number of installations overseas. The total number of Army overseas sites announced for closure or partial closure since January 1990 is 685. Additional announcements and efficient basing initiatives will occur until the base structure matches the force identified to meet U.S. commitments.

The significant challenges posed by the removal of unexploded ordnance, the remediation of groundwater, and the interface of a variety of regulatory authorities continue to hinder the disposal of property. A number of innovative approaches for environmental restoration were recently developed in an effort by The Army to expedite the transfer of property, while ensuring the protection of human health and the environment. Two innovative mechanisms are being utilized to complete environmental restoration efforts: Guaranteed/Fixed Price Remediation (G/FPR) Contracts and Environmental Services Cooperative Agreements (ESCA). A G/FPR Contract obligates BRAC funds necessary for regulatory closure of specified restoration activities. The Army retains responsibility for completion of the environmental restoration, overseeing the contractor and ensuring that regulatory closure of the property is obtained. An ESCA is a different mechanism, authorized under the environmental restoration program that obligates Army BRAC funds and apportions some amount of liability to a governmental entity representing the reuse interests of the particular BRAC installation, in exchange for specific environmental restoration services outlined in the ESCA.

The Army used a G/FPR to accelerate regulatory closure from 2003 to 2002 at Fort Pickett, Virginia, at a cost that will not escalate over the course of the work. We estimate that this \$2.9 million contract saved us \$0.8 million based on our initial estimates.

An ESCA allows The Army to transfer property and associated cleanup responsibilities to a local reuse authority or developer. This allows the developer to integrate cleanup with their redevelopment plans. An ESCA completed in 2001 was used in conjunction with early transfer authority at Military Ocean Terminal, Bayonne, New Jersey, saving The Army an estimated \$5 million. An ESCA will facilitate the early transfer in Fiscal Year 2003 of property at Oakland Army Base, California. The benefits of the G/FPR and ESCA initiatives are that they limit Army environmental remediation cost growth liability and facilitate property disposal.

We remain committed to promoting economic redevelopment at our BRAC installations. We are supporting early reuse of properties through economic development conveyances, as well as the early transfer of properties along with cooperative agreements to accelerate the completion of remaining environmental remediation. The Army is also making use of leasing options approved by Congress and awarding guaranteed fixed price remediation contracts to complete environmental cleanup and make properties available earlier. Real property assets are being conveyed to local communities, permitting them to quickly enter into business arrangements with the private sector. Local communities, with The Army's support and encouragement, are working to develop business opportunities that result in jobs and tax revenues. The successful conversion of former Army installations to productive use in the private sector benefits The Army and ultimately the local community.

SUMMARY

Mr. Chairman, our Fiscal Year 2004 budget is a balanced program that permits us to execute our essential construction programs; provides for the military construction required to improve our readiness posture; provides for family housing leasing, operations and maintenance of the non-privatized inventory; and initiates privatization at four additional installations. This request is part of the total Army budget request that is strategically balanced to support the current war effort, the readiness of the force and the well-being of our personnel.

Over the past few years with your support, we have successfully improved our infrastructure posture and postured ourselves for further improvements as The Army moves to the Objective force and The Army of the future. We implemented a revolutionary management system with the establishment of the Installation Management Agency. We have reduced our infrastructure by a third. In addition, we have initiated efforts to privatize family housing and utilities systems where it makes economic sense and supports our military mission. We have the resources to improve the living conditions of 106,000 single soldiers and will be 79% complete with approval of this budget. We have expedited the process to turn over closed facilities and save the taxpayers money.

Our long-term strategy can only be accomplished through sustained, balanced funding, divestiture of excess capacity, and improvements in management and technology. With your support, we will continue to streamline, consolidate, and

establish community partnerships that generate effective relationships and resources for infrastructure improvement, continuance of services, and improved quality of life for soldiers, their families, and the local communities of which we are a part.

The Fiscal Year 2004 request for the Active Army is for authorization of appropriations and appropriations of \$2,935,927,000 for Military Construction, Army, and Army Family Housing.

The request for authorization of appropriations and appropriations is \$168,298,000 for Military Construction, Army National Guard, and \$68,478,000 for the Military Construction, Army Reserve.

Mr. Chairman, this concludes my statement. Thank you.

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